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# STATE OF INDIANA

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## **School Property Tax Control Board Meeting Minutes March 18, 2004**

The monthly meeting of the School Property Tax Control Board was held on March 18, 2004. The meeting was held in the Indianan Government Center South, Conference Center Room 5, 302 West Washington Street, Indianapolis, IN 46204. Present for the meeting was Patty Bond, Carlyn Johnson, Ken Barnes, Joe Bronnert, Melissa Henson and Teresa Hemmerle, Administrative Officer.

**Minutes and discussion:** December 2, 2003 and February 19, 2004 meeting minutes.

**Brownsburg Community School Corp., Hendricks Co.:** Officials requested approval of a pension bond issue for \$5.5 million. Tax rate impact is \$0.0217. The term of the bonds is fifteen years. The petition and remonstrance process or common construction wage were not applicable to this project. The bond resolution states the capital projects fund or bus replacement fund for neutrality purposes.

**Present for the hearing** was Marvin Ward, Business Manager; Karl Sturbaum, Bose McKinney & Evans and Tom Grabill and Nate Day, Educational Services Company.

**Comments:** The Business Manager spoke about the proposed pension bond issue. Officials had a study completed and an agreement has been reached with the teachers for a new plan. The buyout will cover the sick leave, years of service and health insurance. The request is for a bond issue of \$5.5 million.

Ms. Johnson asked about Fund 63. The Business Manager said the purpose of the fund was to set aside funds to cover changes in the severance plan after 6/30/01. Ms. Johnson asked if the fund was unique to Brownsburg Schools and the Business Manager said no. Ms. Bond noted it was a fund created by the State Board of Accounts for all school corporations.

Mr. Nemeth asked for an explanation of the sick leave buyout. The Business Manager said the original plan obligated them to paying for sick leave and years of service and that will be bought out. He said employees may still accumulate sick leave, but they will not be obligated to pay them for those days upon retirement.

Mr. Bronnert asked about school officials plans for the Bus Replacement fund since it would be reduced to offset the pension debt. The Business Manager said they are planning on reducing in a combination of Bus Replacement and Capital Projects fund to allow some flexibility.

**Motion:** Ms. Johnson made a motion to approve the pension bond issue in the amount of \$5.5 million. Mr. Bronnert seconded the motion, which favorably carried 6-0.

**Northwestern Consolidated Schools, Shelby County:** Officials requested approval of a lease with maximum annual rental payments of \$687,000 for 15 years. Total project costs are \$2,680,000. Tax rate impact is \$0.21 with no new facility appeal planned. Common construction wage information was in order. The petition and remonstrance process was not applicable to this project.

**Present for the hearing** was Larry Moore, Superintendent; Jim Manak, InterDesign Group; Lonnie Therber, Therber & Brock and Jim Shanahan, Jane Herndon and Andy Hollenbed, Ice Miller.

**Project:** The project involves two schools Triton Central High School and Triton Middle School. Both schools will be remodeled and receive additions. At the high school, remodeling will occur in the science labs, weight training/fitness lab, girls and boys locker room, restrooms and in the administration and guidance areas.

At the middle school, a new wrestling room/fitness lab will be added and offices and conference rooms remodeled. New student lockers will replace existing ones. New storage space is included in the addition. Student capacity at both schools will not change with the projects.

**Comments:** The Superintendent spoke about the project. The school corporation is located on an 84-acre central campus. The high school was built in 1962, the elementary school in 1968 and the middle school in 1984. The school board is a conservative group, as is the community. The facilities have been maintained over the years and are in good condition for their age. Officials would like to utilize the facilities for at least another 20 years. Improvements were made to facilities in 1994 and 1999. The discussions concerning this project began in 2001. A Buildings and Grounds Committee was formed and met periodically to discuss facility needs. There were fewer meetings held of this committee in 2003 since the proposed project was on the agenda of several school board meetings. Officials asked for public input at the school board meetings.

Ms. Johnson asked what the school board vote was at the lease hearing. The Superintendent replied 7 to 0.

Ms. Bond asked for a more in-depth description of the proposed project. The Superintendent said the high school project included updates to the science labs, a new woodshop room, increase the area of the weight room, renovate office area, upgrade locker rooms, build a new press box at the football field and upgrade the sewer lines and restrooms. The middle school project includes the addition of a seminar room, upgrade lockers and add another multi-purpose room since only one gymnasium at the facility.

Mr. Bronnert asked who would oversee the project. The Superintendent said that was still under discussion with the school board. The Superintendent supervised the last project, but expects someone else would this time on a part-time basis. Mr. Bronnert asked if officials intended for the repayment of this debt to be over 7 or 8 years. The Superintendent responded they would like to pay

it off earlier than 15 years. Mr. Therber said the amortization schedule attached to the hearing information sheet allows them to pay off the debt with only a few cent rate impact in the beginning of the repayment. Officials may extend the repayment to closer to 15 years if proposed development in the area necessitated another building project soon.

Mr. Barnes asked if the Department of Local Government Finance has allowed projects under \$2 million each to be lumped together under one financing as in this case. Ms. Henson said a couple of years ago it was determined if they were stand-alone projects and were advertised as such they would be allowed.

**Motion:** Mr. Barnes made a motion to approve the lease rental agreement with maximum annual payments of \$687,000 for 15 years. Mr. Nemeth seconded the motion, which favorably carried 6-0.

**Northwestern School Corporation, Howard County:** Officials requested approval of a lease rental agreement with maximum annual rental payments of \$1,880,000 for 21 years. Total projects costs are \$16,595,000. Tax rate impact is \$0.145. A new facility appeal of \$0.02 is planned. Common construction wage information was in order and there was no application for a petition and remonstrance process.

**Present for the hearing** was Ryan Snoddy, Superintendent; Howard Eller, School Board President; Ed Soots, Architect; Jim Elizondo, City Securities; and Jane Herndon, Jim Shanahan and Andy Hollenbed, Ice Miller.

**Project:** The project includes renovation of and improvements to Howard Elementary School, Northwestern Elementary School, Northwestern Middle School and Northwestern High School and the construction of a new auditorium on the middle school/high school building site.

At Howard Elementary, five new classrooms will be added, updated administrative services space will be constructed along with a new cafeteria and kitchen and associated areas. An elevator will be included to provide access to all floors.

At Northwestern Elementary, five new classrooms will be added, renovations will occur in the administrative area. The media center will be relocated and enlarged and a physical education facility will be constructed to accommodate student needs without sharing a multi-purpose cafeteria.

At Northwestern Middle School and High School, a new larger clinic and science lab will be added. Also included is the addition of an auditorium with seating for 800 constructed with associated areas for stagecraft and rehearsal.

**Comments:** The Superintendent spoke about the proposed project. The corporation has been involved in a strategic planning process over the last ten years. Officials have been focusing on the high school and middle school over the past few years and this project addresses the elementary school. The school board decided to go to a central campus and build a new K-3 facility and make the current elementary a 4-6 facility. There was a petition and remonstrance process on that project

and school officials were unsuccessful. A task force was then formed to study facility needs. The community backs the facility plan and no remonstrance was filed opposing the project. The project at Howard Elementary School involves the addition of a new cafeteria and kitchen, adding five new classrooms and the demolition of the 1950's portion of the building due to poor construction. The project at Northwestern Elementary School involves adding five new classrooms and expanding the media center. A new gymnasium will also be added since the cafeteria currently serves that purpose. A computer lab will be added as it is currently housed in a portable classroom. The corporation has been experiencing stable enrollment, so the need for the project is to improve space within the classrooms. The project at the middle/high school involves renovating space to create additional science lab space, expand the health clinic, add an elevator to be ADA compliant and construction of a new auditorium. The community overwhelmingly supports the project.

Mr. Barnes asked about the proposed Field House bond issue. The Superintendent said they broke the project into two parts because they felt this project was more critical. The Field House project is currently in the remonstrance phase. Mr. Barnes asked what the Field House would have in it. The Superintendent said two basketball courts, an indoor track and would have the ability to be separated into smaller areas to accommodate several activities. School officials noted the gymnasium at Northwestern Elementary School would not be constructed if the Field House is successful in the petition and remonstrance process.

Mr. Nemeth asked what drove the construction management fees to an amount higher than the control board normally sees. The Superintendent said they felt it was the same amount they paid for a previous project. He said the costs may be higher since several sites are involved and one of those facilities is ten miles away. Mr. Nemeth asked if officials based the decision on past experience and the Superintendent replied yes, but they did interview other firms. Mr. Nemeth asked if bids would be taken before the bonds are issued. Mr. Elizondo said yes, there was a typographical error on the hearing information sheet.

Mr. Bronnert asked when the remonstrance period ends on the Field House project and the Superintendent replied April 12, 2004.

Ms. Johnson asked if school officials expect the remonstrance would be successful. The Superintendent responded there is a large contingency of supporters of the project. The community wants to be involved in the decision-making process and officials anticipate it will pass. Ms. Johnson asked if the 1950's portion of Howard Elementary School is in worse condition than the 1916 area. The Superintendent replied yes, the 1950's area is where most of the plumbing and HVAC problems occur and connects the 1916 area to the 1970's portion.

Ms. Henson asked why the principal repayment on this project does not begin until 2010. Mr. Elizondo said there is debt that will be rolling off at that time and this will limit the tax rate impact in the beginning of repayment.

**Motion:** Ms. Henson made a motion to approve the lease rental agreement with maximum annual payments of \$1,880,000 for 21 years. Mr. Bronnert seconded the motion, which favorably carried 6-0.

**Logansport Community School Corp., Cass Co.:** Officials requested approval of a pension bond for \$5 million with a fifteen-year term. Tax rate impact is \$0.0606. This project is not subject to the petition and remonstrance process or the common construction wage.

**Present for the hearing** was Jerry Thacker, Superintendent; Robert Lease, Business Manager; Tom Grabill and Nate Day, Educational Services; and Jim Shanahan, Jane Herndon and Andy Hollenbed, Ice Miller.

**Comments:** The Superintendent spoke about the pension bond issue. They are requesting a \$5 million bond issue to address their unfunded severance liability. Officials expect to eliminate the liability over the next fifteen years. This school corporation acts as the LEA for the special education cooperative and covers 20% of their budget. The retirement costs were capped back in 1998 so those hired after a particular date do not qualify for the former retirement plan. The school corporation has seen a reduction of \$2.6 million in the pension liability since the 403(b) matching program began.

Mr. Barnes asked if this bond issue only addresses 1/3 of the problem. Officials replied they cannot do a traditional buyout as they must treat all employees the same, including cooperative employees. They feel the \$5 million bond issue along with the 403(b) plan will eliminate the liability.

**Motion:** Mr. Barnes made a motion to approve the pension bond issue in the amount of \$5 million. Mr. Nemeth seconded the motion, which favorably carried 6-0.

**Centerville Abington Comm. Schools, Wayne Co.:** Officials requested approval of a pension bond issue for \$1,620,000 with a term of 15 years. Tax rate impact is \$0.0527. The petition and remonstrance process and common construction wage rules are not applicable to this project. The Neutrality Resolution states the Capital Projects and/or Bus Replacement funds will be reduced in 2005 to offset the debt.

**Present for the hearing** was Dr. Charles Hobbs, Superintendent; Ed Martin, School Attorney; Tom Grabill and Nate Day, Educational Services; and Jim Shanahan, Jane Herndon and Andy Hollenbed, Ice Miller.

**Comments:** The Superintendent spoke about the proposed pension bond issue. Officials have negotiated a buyout plan with the teachers. This bond issue will eliminate all of the unfunded pension liability. Officials plan to reduce the Bus Replacement, Capital Projects and Transportation funds to offset the debt.

**Motion:** Mr. Barnes made a motion to approve the pension bond issue in the amount of \$1,620,000. Mr. Bronnert seconded the motion, which favorably carried 6-0.

**Argos Community Schools, Marshall County:** Officials requested approval of a pension bond issue for \$505,000 with a term of 15.5 years. Tax rate impact is \$0.0348. The common construction wage rule and petition and remonstrance process are not applicable to this project. The Neutrality Resolution states the Capital Projects fund will be reduced in 2005 to offset the debt.

**Present for the hearing** was Ralph Bailey, Superintendent; James Clevenger, School Attorney; Colette Irwin-Knott, HJ Umbaugh; and Jim Shanahan, Jane Herndon and Andy Hollenbed, Ice Miller.

**Comments:** The Interim Superintendent spoke about the proposed pension bond issue. Officials have negotiated an agreement with the teachers. The bond issue will eliminate the unfunded pension liability.

Ms. Irwin-Knott stated the Capital Projects fund will be reduced approximately \$48,000 to offset the debt.

**Motion:** Ms. Henson made a motion to approve the pension bond issue in the amount of \$505,000. Mr. Bronnert seconded the motion, which favorably carried 6-0.

**Lake Ridge Schools, Lake County:** Officials requested approval of a pension bond issue for \$1,010,000 for a term of 20 years. Tax rate impact is \$0.0569. The common construction wage rule and petition and remonstrance process are not applicable to this project. The Neutrality Resolution states the Bus Replacement fund will be reduced in 2005 to offset the debt.

**Present for the hearing** was Mickey Beach, Superintendent and Jim Shanahan, Ice Miller.

**Comments:** The Superintendent spoke about the proposed pension bond issue. The request is for \$1,010,000. The portion of the retirement package that caused the problem was allowing health insurance for only \$200 per year. They could not handle the unfunded liability since they are a poorer school district. A 403(b) plan has been established. Officials intend to use the bond proceeds to level out the peak years of retirement expenses.

Ms. Henson asked why officials were not using their Rainy Day fund, which has a balance of over \$1 million. The Superintendent felt they would need it for Transportation purposes due to state funding cuts.

Mr. Bronnert questioned the discount rate of 5% that was used on this issue when others are using 2.5%. Mr. Shanahan stated that was a guess and in the past that was the rate of return on investments. He said that is not the case currently.

**Motion:** Ms. Johnson made a motion to approve the pension bond issue in the amount of \$1,010,000. Mr. Nemeth seconded the motion, which favorably carried 6-0.

**Madison Consolidated Schools, Jefferson County:** Officials requested approval of a pension bond issue in the amount of \$10,500,000 for a term of 10 years. The tax rate impact is \$0.1410. The common construction wage rule and petition and remonstrance process are not applicable to this project. The Neutrality Resolution states the Capital Projects fund will be reduced in 2005 to offset the debt.

**Present for the hearing** was Dr. Thomas Patterson, Superintendent; Kathy May, Director of Finance; Tom Grabill and Nate Day, Educational Services; and Jim Shanahan, Jane Herndon and Andy Hollenbed, Ice Miller.

**Comments:** The Superintendent spoke about the proposed pension bond issue. Officials have settled with the teachers' union.

Ms. Bond asked if the proposed bond issue is for \$10.5 million with a term of ten years and the Superintendent replied yes. Ms. Bond asked if the bond issue and agreement would eliminate the unfunded liability and the Superintendent responded yes.

Mr. Bronnert asked if one board member was absent at the meeting since the vote approving the bond issue was 4 to 0. The Superintendent replied yes. Mr. Bronnert asked if that board member supported this bond issue and the Superintendent said yes. Mr. Bronnert asked what was included in the new plan. The Superintendent said they have a 403(b) plan and the percentage paid by the school corporation would be negotiated each year.

**Motion:** Ms. Johnson made a motion to approve the pension bond issue in the amount of \$10,500,000. Mr. Bronnert seconded the motion, which favorably carried 6-0.

**Culver Community Schools, Marshall Co.:** Officials requested approval of a \$3,180,000 pension bond issue for a term of 18.6 years. Tax rate impact is \$0.0538. The common construction wage rule and petition and remonstrance process are not applicable to this project. The Neutrality Resolution states the Capital Projects fund will be reduced in 2005 to offset the debt.

**Present for the hearing** was Brad Schuldt, Superintendent; Tom Bendy, Treasurer; James Clevenger, School Attorney; Colette Irwin-Knott, HJ Umbaugh; and Jim Shanahan and Tom Peterson, Ice Miller.

**Comments:** The Superintendent spoke about the proposed pension bond issue. Officials have operated the past two years without a teachers' contract. The school would pay a 100% lump sum amount upon retirement plus health insurance. The pension liability was estimated to be over \$6 million. The proposed bond issue is in the amount of \$3,180,000. The school corporation does not pay for unused sick days and they do not have a Rainy Day fund.

Ms. Henson asked what "Other Reimbursement" represented on page 1 of the hearing information sheet. The Superintendent said it was for past payments back to June 30, 2003. This would allow them to refurbish the General fund.

Mr. Barnes questioned the free health insurance and commented that could cause tax problems to retirees as it would be considered income.

**Motion:** Mr. Nemeth made a motion to approve the pension bond issue in the amount of \$3,180,000. Mr. Barnes seconded the motion, which favorably carried 6-0.

**MSD Steuben County, Steuben Co.:** Officials requested approval of a pension bond issue for \$7.1 million for 20 years. Tax rate impact is \$0.0472. The common construction wage rule and petition and remonstrance process are not applicable to this project. The Neutrality Resolution states the Capital Projects fund will be reduced in 2005 to offset the debt.

**Present for the hearing** was Dr. David Goodwin, Superintendent; Tom Grabill and Nate Day, Educational Services; and Jim Shanahan and Tom Peterson, Ice Miller.

**Comments:** The Superintendent spoke about the proposed pension bond issue. Officials appeared before the control board a couple of years ago for a pension bond request of \$4.1 million, which was their bonding capacity at that time. They were aware of proposed legislation that would change the pension bonding capacity calculation, so they decided not to sell the bonds. They also expected the assessed value increase due to reassessment to increase the bonding capacity. The initial request of \$4.1 million would have covered the teachers' retirement, but not the classified or administrative positions. Officials waited and the state did change the pension bonding capacity formula and the assessed value increased 88%. A committee was formed a year ago to re-examine the issue. The Superintendent gave the committee the amount the school corporation could afford to neutralize. An agreement was reached with the teachers and was ratified last month. The revised request is for \$7.1 million and officials hope to meet the Indiana Bond Bank schedule to sell bonds.

Mr. Barnes asked if school officials were seeking an amended order. Mr. Peterson replied they would like an increase of the previous order issued by the Department of Local Government Finance. He said the public notices made it clear the total bond issue would be \$7.1 million. Mr. Barnes asked if the Department of Local Government Finance approves of this school making another request. Ms. Henson responded the statute states that bonds may be issued only one time and this school corporation has not yet sold bonds.

**Motion:** Mr. Barnes made a motion to approve the pension bond issue in the amount of \$7.1 million. Mr. Nemeth seconded the motion, which favorably carried 6-0.

**North Knox Schools, Knox Co.:** Officials requested approval of a pension bond for \$2.9 million for a term of 15 years. Tax rate impact is \$0.0908. Pension neutrality should occur in the bus replacement fund. The common construction wage rule and petition and remonstrance process are not applicable to this project.

**Present for the hearing** was Sandy Beaman, Business Manager and Tom Grabill and Nate Day, Educational Services.



**Comments:** The Business Manager spoke about the proposed pension bond issue. Officials have been in negotiations over the past year with their teachers' organization. They currently pay for sick days up to 260 days, years of service and health insurance premiums. The new plan will pay for years of experience and also into a VEBA account, but will not pay for unused sick days. An agreement has been reached with the teachers.

Ms. Henson noted some items were missing from the file, including the proof of publication, form of order and Neutrality Resolution. Mr. Qualkinbush said he would submit those items, but the neutrality issue was covered in the bond resolution in section three. Ms. Henson asked what "Other Conversion Costs" listed on the hearing information sheet represented. Mr. Grabill replied they were negotiation costs incurred during contract discussions. Ms. Henson asked if the Rainy Day fund was obligated for other purposes and the Business Manager replied yes.

**Motion:** Ms. Henson made a motion to approve the pension bond issue in the amount of \$2.9 million. Mr. Bronnert seconded the motion, which favorably carried 6-0.

**Orleans Community Schools, Orange Co.:** Officials requested approval of a lease with maximum lease rental payments of \$344,000 for 22 years. Total project costs are \$4,170,000. Tax rate impact is \$0.18 with no new facility appeal planned. There was no application for a petition and remonstrance process and the common construction wage information was in order.

**Present for the hearing** was Jim Terrell, Superintendent; George Link, Architect; Lonnie Therber, Therber & Brock; and Jeff Qualkinbush, Barnes & Thornburg.

**Project:** The lease consists of improvements to the Orleans Elementary School located in Orleans. A 14,686 square foot addition will be constructed containing three classrooms, four kindergarten classrooms, one pre-school room and expansion of kitchen facilities. The expansion will allow art and music to have permanent classrooms and special education and speech and hearing to have adequate space too. Renovation will include a complete upgrading of the HVAC system, renovation of the administrative office area and expansion of the media center. Site and outdoor facility improvements are also included. The school was built in 1963. The mechanical systems are in need of major improvements.

**Comments:** The Superintendent spoke about the project. The project involves a renovation and addition to Orleans Elementary School. The process began two years ago with a feasibility study and this project was determined to be of the highest priority. They will add a new Pre-School Special Education area as well as some regular Special Education classrooms since they have utilized other spaces. There is currently no classroom space for Art and Reading Recovery programs. They also identified needs at the Junior/Senior High School. The school board held many public forums on these projects and many taxpayers voiced concerns over the \$9 million cost for both projects. The school board then decided to postpone the Junior/Senior High School project because of the cost concerns. The 1028 hearing was held in November 2003 and there were no negative comments heard or petitions filed in opposition to the project. The lease payments will begin in 2005. A

Qualified Zone Academy Bond was approved by the Department of Education in the amount of \$1,855,000.

Ms. Henson asked if the repayment of the bond would be \$310,000 instead of \$344,000 with the QZAB. Mr. Therber replied the repayment schedule was based with the 0% QZAB, which they will pay off the QZAB at a later date since that would stretch out the tax benefits to the buyer of that bond issue. Officials will not know the terms of the QZAB until closer to the sale date. Mr. Therber stated they might accelerate the repayment of the general obligation bonds and if they repay at the amount of \$344,000, they might be able to take off five years from the term. Ms. Henson asked for clarification of the total project costs. Mr. Qualkinbush replied it was \$4.1 million, \$1.8 million QZAB and \$2.3 million general obligation bond. Ms. Henson requested a copy of the Department of Education order approving the QZAB and Mr. Qualkinbush agreed to submit it.

Mr. Bronnert asked if the clerk of the works would be a school employee and officials said it would not be a current employee, but be employed by the school corporation. Mr. Bronnert asked if this project was the first renovation of the mechanical systems and the Superintendent said it was the first major one.

**Motion:** Ms. Henson made a motion to approve the lease rental agreement with maximum annual payments of \$344,000 for 22 years. Mr. Nemeth seconded the motion, which favorably carried 6-0.

**Adjournment:** There was no further business to discuss and the meeting was adjourned.

